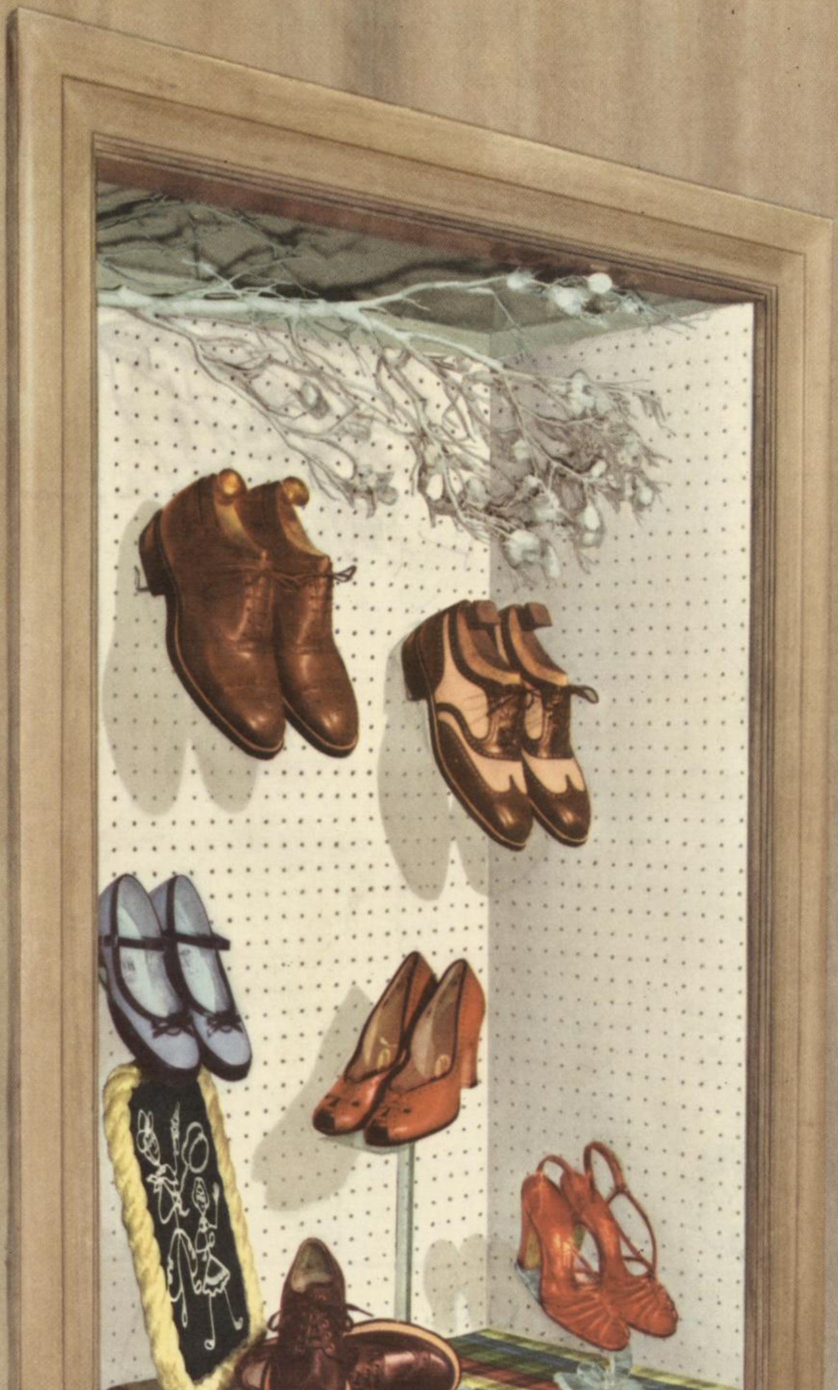


Annual Report

INTERNATIONAL SHOE COMPANY

1952

PRINCIPAL OFFICERS

BYRON A. GRAY
Chairman of the Board

EDGAR E. RAND
President

ANDREW W. JOHNSON
Vice-President and Treasurer

OLIVER F. PETERS
Vice-President

HENRY H. RAND
Vice-President

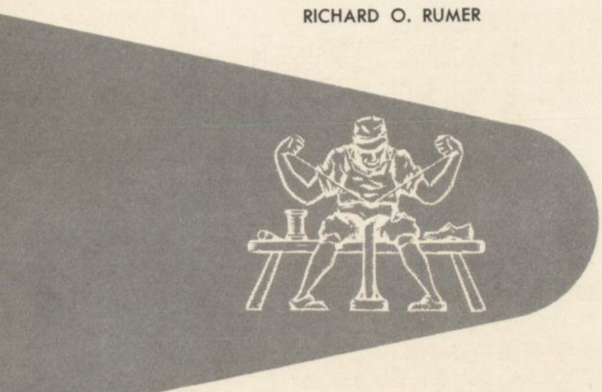
J. LEE JOHNSON
Vice-President

ROBERT O. MONNIG
Vice-President and Comptroller

CARL E. BRUECKMANN
Secretary and Asst. Treasurer

DIRECTORS

CARL E. BRUECKMANN
BYRON A. GRAY
CLEMENCE L. HEIN
EDWARD J. HOPKINS
PAUL B. JAMISON
ANDREW W. JOHNSON
J. LEE JOHNSON
LEE C. McKINLEY
ROBERT O MONNIG
OLIVER F. PETERS
JAMES T. PETTUS
EDGAR E. RAND
HENRY H. RAND
REZIN H. RICHARDS
RICHARD O. RUMER



The Annual Meeting of Stockholders will be held on February 24, 1953.

TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.
Mercantile Trust Company, St. Louis, Mo.

REGISTRARS

Guaranty Trust Company, New York, N. Y.
St. Louis Union Trust Company, St. Louis, Mo.

CONTENTS

INTERNATIONAL SHOE COMPANY

1952 ANNUAL REPORT

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 1952, AND COMPARISON WITH 1951.

	1952	1951	Increase or (Decrease)	Per Cent
Net Sales	$217,041,923	$225,070,342	($8,028,419)	(4)
Civilian	210,580,006	191,821,738	18,758,268	10
Military	6,461,917	33,248,604	(26,786,687)	(80)
Income before Federal Income Taxes	17,116,375	20,170,326	(3,053,951)	(15)
Federal Taxes on Income	8,859,003	11,459,352	(2,600,349)	(23)
*Net Income	8,286,892	8,837,336	(550,444)	(6)
Percent of Net Sales	3.8	3.9		
Per Share	2.44	2.61	(.17)	(7)
Total Dividends Paid	8,095,970	8,158,080	(62,110)	
Dividends per Share	2.40	2.40		
Income Retained	190,922	679,256	(488,334)	(72)
Current Assets	$117,667,106	$91,875,406	$25,791,700	28
Current Liabilities	25,574,677	23,814,702	1,759,975	7
Working Capital	92,092,429	68,060,704	24,031,725	35
Working Capital Ratio	4.6	3.9		
Employees' Notes Receivable	$ 3,170,196	$ 2,025,138	$ 1,145,058	56
Customers' Loans Receivable	3,537,073	1,948,247	1,588,826	81
Long-Term Debt	30,000,000	2,591,666	27,408,334	
Net Physical Properties	$ 23,009,747	$ 22,241,847	$ 767,900	3
Maintenance and Repairs	4,229,331	3,706,529	522,802	14
Depreciation	1,988,917	1,983,519	5,398	
Accumulated Depreciation	35,380,035	33,270,533	2,109,502	6
Production in Pairs	53,341,232	48,333,381	5,007,851	10
Civilian	52,323,946	44,574,067	7,749,879	17
Military	1,017,286	3,759,314	(2,742,028)	(73)

*After adjustment for minority interests

THE RESULTS FOR 1952

PLEASE NOTE—All of the figures in this annual report are on a consolidated basis. Readers who are not familiar with the term "consolidated," will find an explanation on page 14.

Detailed financial statements are presented beginning on Page 16 of this report.

To our stockholders . . .

ANNUAL MESSAGE

from the Chairman of the Board and the President

On the opposite page are the financial highlights for the year 1952.

Here are brief comments on these and other matters of significance to our Company in this year. You will find more complete coverage of these and other subjects as you page through this report.

Military sales dropped 80% and it was this sharp reduction which accounted for our overall decrease in dollar sales. This drop in military sales is in line with the drastic cut in the Government's footwear procurement program.

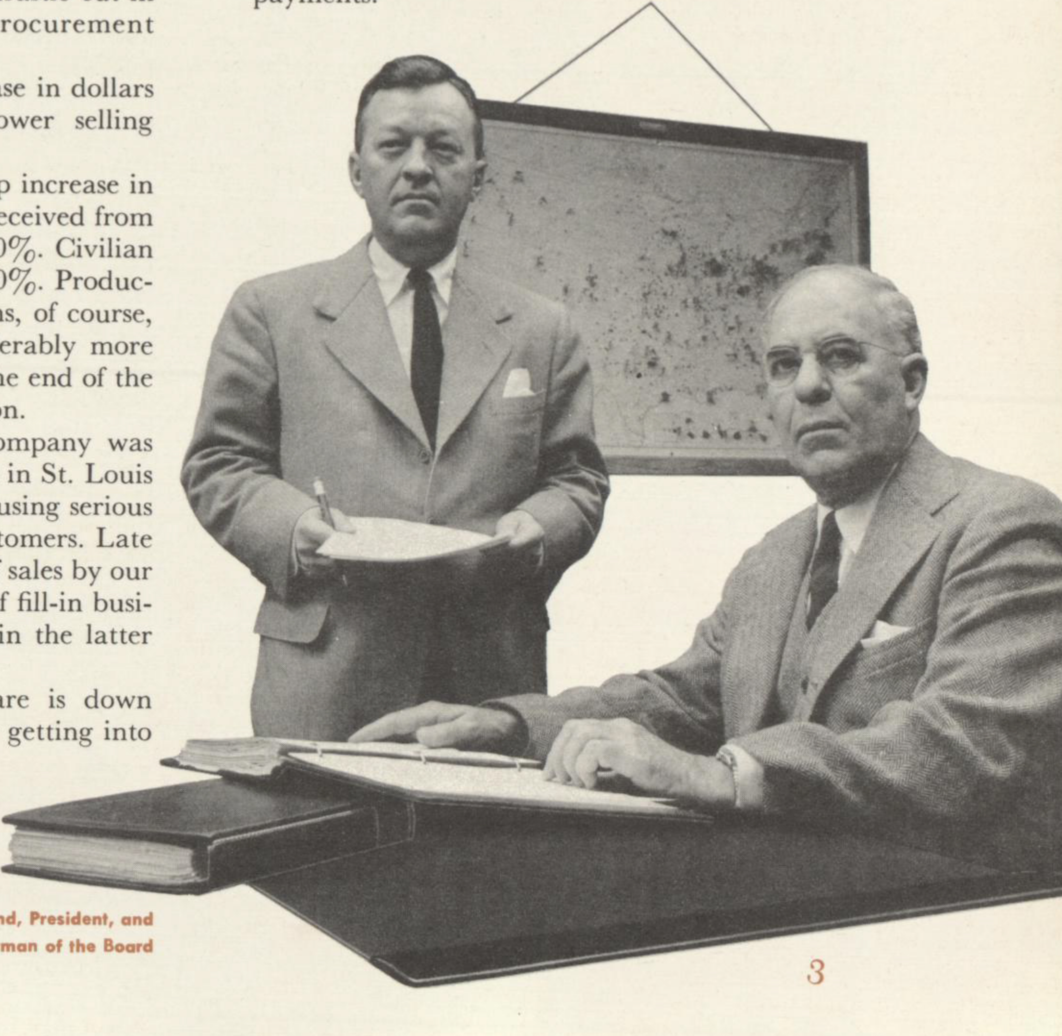
Civilian sales showed an increase in dollars of 10% despite substantially lower selling prices in 1952 than 1951.

Gratifying indeed was the sharp increase in civilian pairage. Pairs on orders received from customers increased more than 30%. Civilian shipments increased more than 20%. Production increased 17%. Which means, of course, that the year ended with considerably more unfilled orders on hand than at the end of the previous year—a healthy condition.

In accomplishing this, our Company was handicapped by a truckers' strike in St. Louis from late June until August 1, causing serious delay in shipment of shoes to customers. Late delivery of fall shoes caused loss of sales by our customers and in turn loss to us of fill-in business which normally is received in the latter part of the season.

Net income of $2.44 per share is down slightly from $2.61 in 1951. After getting into the excess profits tax rate of 82%, it becomes a fine point in management decision whether to attempt to maintain usual net earnings ratios or to improve our long-range position by setting more attractive selling prices and by emphasizing maintenance and improvements of properties and facilities.

The 167th consecutive dividend on our Company's stock will be paid on January 30, 1953, completing 40 years of uninterrupted payments.



Edgar E. Rand, President, and
Byron A. Gray, Chairman of the Board

Wage and salary rates were increased about 4% near the close of the year.

Hide and leather prices have been firm for the past several months.

Despite higher costs, our Company sold its spring 1953 lines at unchanged prices when our salesmen went out in October.

After booking at these old prices very large quantities approximating all of the business we expect to ship in the entire first quarter of our new fiscal year, an advance in selling prices of about 3% was put into effect on orders taken on and after December 1. This was necessitated by rising costs in distribution expense, as well as the increase in wage and salary rates.

Retail outlets opened up for our Company products as the result of the operations of our wholly-owned subsidiary, the Shoenterprise Corporation, are turning in a very good record. Approximately \$6½ million have been invested in this undertaking and prospects are that additional capital will be employed advantageously in this program of developing and improving the retail distribution of our products.

The long-term loan of \$30 million about which you were advised by letter within a few days after it was completed on October 9 has placed our Company in a very liquid position. A large part of this money will move gradually into fixed investments connected with growth and expansion; nevertheless, our working capital position should be favorable.

Plans were made in September for the construction at Bryan, Texas, of a new processing plant for rubber composition heeling and soling materials. This will require an investment in plant and inventories estimated at \$3,500,000. Bryan is in the area in which plants producing 60% of all synthetic rubber produced in the United States are located. The new plant, on which construction will begin early in 1953, will contain 70,000 square feet and will employ about 200 workers. It is anticipated that the plant will be ready for production in the fall of 1953.

Late in November the Company purchased the capital stock of Burk Brothers, a company owning one tannery in Philadelphia, Pennsylvania, and long established as a tanner of upper leather. Burk Brothers continues to retain its corporate entity and identity, but will assure to the International Shoe Company, a preferential source of leather to meet the expanding demand for its footwear.

The shoe industry had a very good year in 1952 with the production of close to 500 million pairs of shoes in our fiscal year, an increase of about 8% over 1951, and about 11% on civilian shoes. We believe retail sales in units kept pace with this increase in manufacturing.

The overturn of the political party which had been in power in Washington for 20 years should bring, along with the new administration, a wholesome change in emphasis in our national affairs. This change may well result in an atmosphere more conducive to sound and constructive development and growth for business enterprise; and in an attitude more resistant to the sometimes arbitrary and tyrannical demands of a few labor leaders.

We are hopeful that the new administration will be able to discourage pressure groups of all kinds and bring about a just and equitable distribution of the benefits of our economy, which could only mean a much more favorable climate for business.

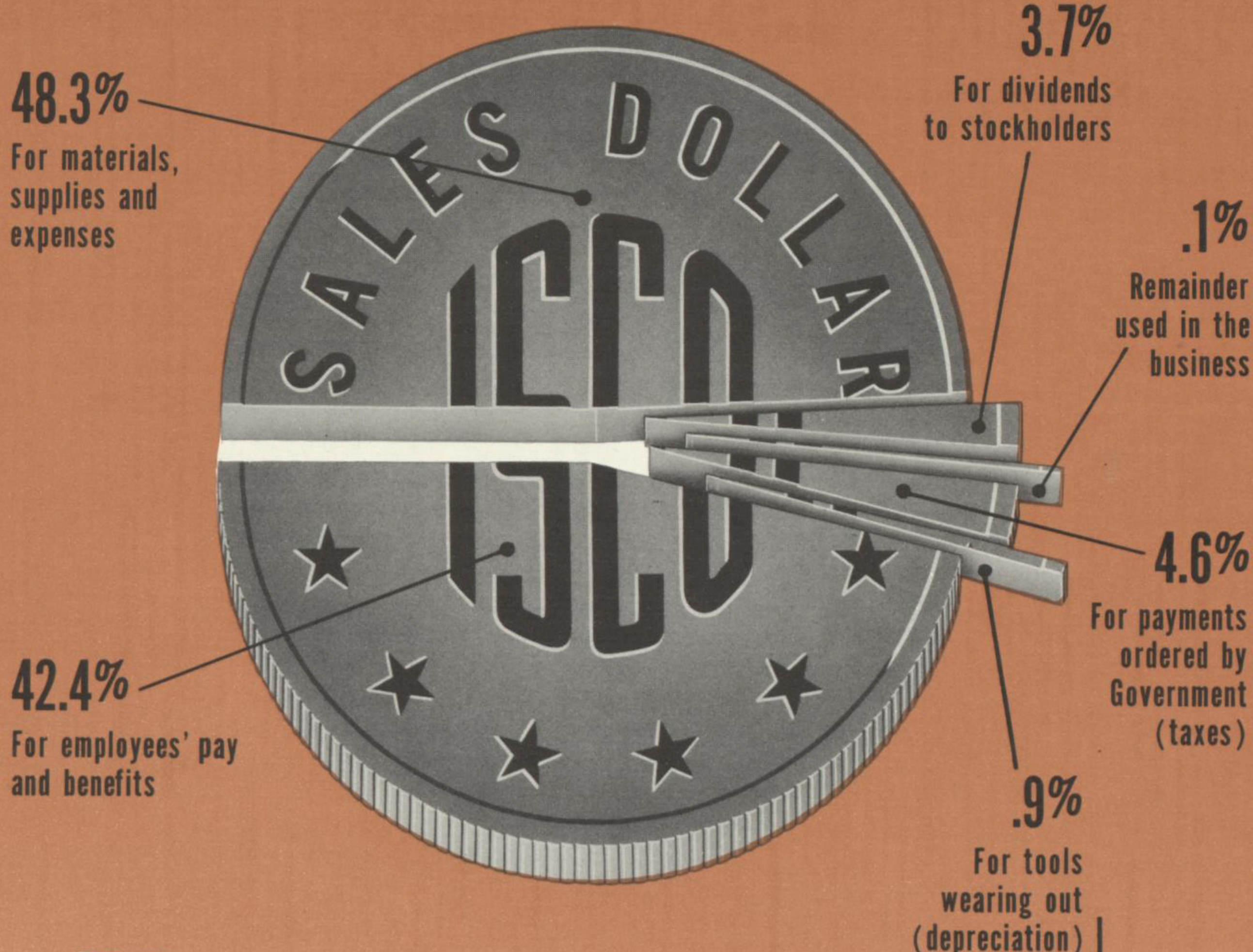
We wish to thank the men and women of our organization for their good performance of duty that resulted in another good year in 1952. The large volume of orders received at the opening of 1953 confirms our judgment that the new year could turn out to be one of our Company's best.

FOR THE BOARD OF DIRECTORS

Byron A. Gray — CHAIRMAN OF THE BOARD

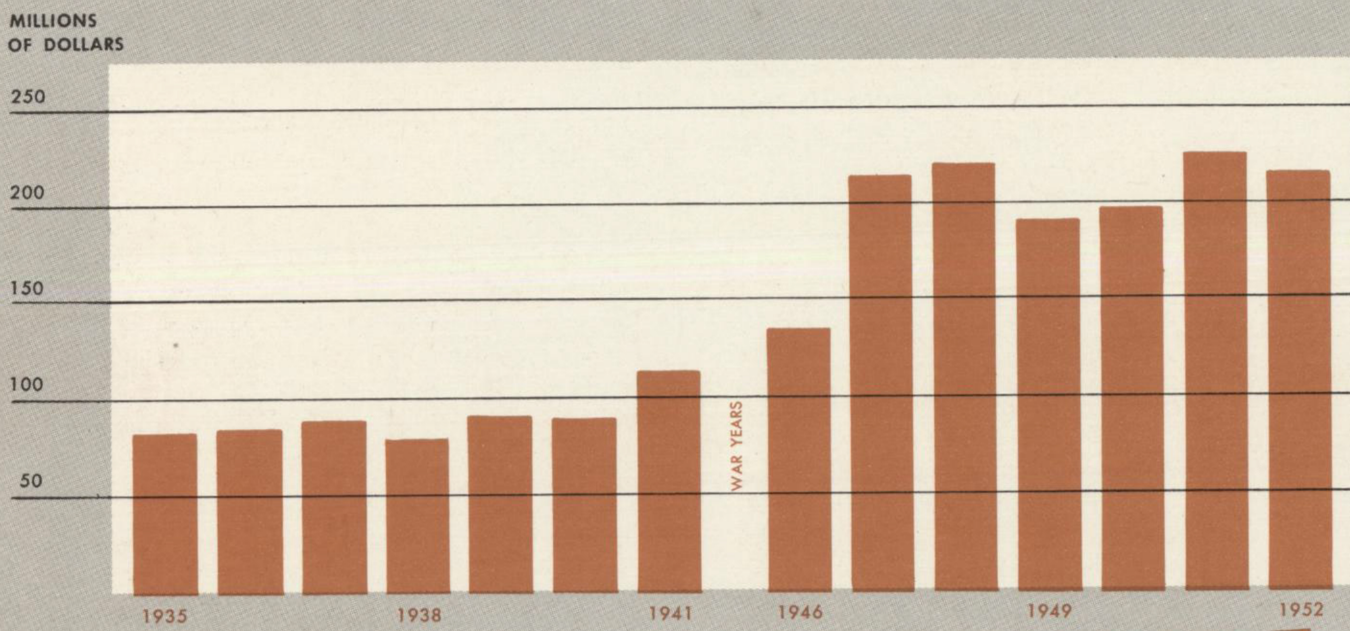
Edgar E. Rand — PRESIDENT

January 20, 1953



HOW OUR 1952 SALES DOLLARS WERE USED

For materials, supplies and expenses	$104,744,095	48.3%
For employees' pay and benefits	92,030,507	42.4
For tools wearing out (depreciation)	1,988,917	.9
For payments ordered by Government (taxes)	9,991,512	4.6
For dividends to stockholders	8,095,970	3.7
Remainder used in the business	190,922	.1
	$217,041,923	100.0%

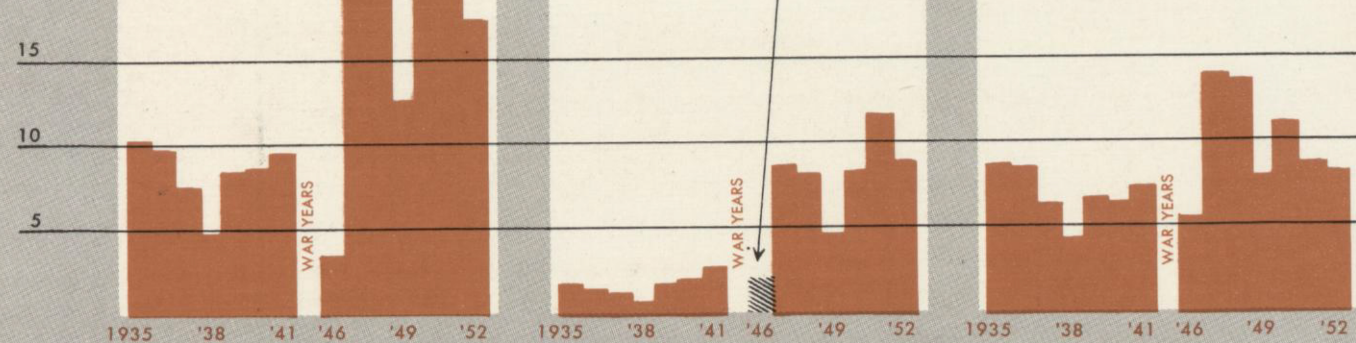


DOLLAR SALES

7 POSTWAR YEARS *and* 7 PREWAR YEARS

INCOME and TAXES

7 POSTWAR YEARS *and* 7 PREWAR YEARS



SALES

Sales of $217,041,923 for the year were about 4% below the record sales of $225,070,342 in 1951.

The decrease of $8,028,419 was the result of a decrease of $26,786,687 in military sales combined with an increase of $18,758,268 in civilian sales.

Military Sales. The decrease in military sales was due to the drastic and abrupt lowering of the shoe procurement program by the government about mid-1951 to which attention was called in our annual report for 1951.

The disappearance of opportunity for military business is a matter of little concern to your management since the profit possibilities in this type of business are extremely limited at this time.

Present small government contracts will be completed by your Company early in 1953. Prospects are for very few military sales in the coming year.

Civilian Sales. The increase of $18,758,268, or about 10%, in civilian sales was accomplished despite a decrease of over 10% in the price of civilian shoes delivered. The increase in the number of pairs of civilian shoes shipped by your Company in the year exceeded 20%.

The recovery from the relatively depressed level of shoe sales in the last half of 1951 was a notable development in the shoe industry in 1952.

Retail sales were in good volume throughout the year. While dollar retail sales will probably show but a small percentage increase for the year, due to lower prices this may represent an increase of as much as 10% in number of pairs of shoes sold to consumers.

The increase in pairage at retail probably will be matched by a pairage increase of about 10% in the production and delivery of civilian shoes by manufacturers and wholesalers.

INCOME

Net income for 1952 of $8,286,892 was slightly lower than the $8,837,336 earned by your Company in 1951.

Per share this amounted to $2.44 in 1952 compared with $2.61 in 1951.

Income before federal income taxes amounted to $17,116,375 in 1952 compared with $20,170,326 in 1951. Of this decrease of $3,053,951, federal income taxes absorbed approximately $2,600,000. The decrease in net, after adjustment for minority interest, was $550,444.

The contraction in profit margins shown by these comparisons is partly the result of our Company's determination to supply shoes to retailers at attractive prices. Your management is conscious of the importance of maintaining and increasing volume. In a highly competitive industry this involves sharp pricing and the maintaining of margins by greater efficiency and lower cost.

DIVIDENDS

Completing 40 years of uninterrupted dividend payments, our Company will pay its 167th consecutive dividend on January 30, 1953. This date was again set 29 days later than the former January 1 date for the purpose of making a worth-while tax saving as explained fully in our last year's annual report.

A busy day in the store of one of our customers.

Again there will be no change in the other quarterly dividend dates of April 1, July 1, and October 1.

This latest dividend is at the rate of 60¢ per share, the same quarterly amount paid regularly since April 1, 1950, and at the annual rate of $2.40.

PRODUCTION

The production of our shoe factories totaled 53,341,232 pairs for the year. This is more than 10% of all shoes produced in the United States.

In addition, our 24 other plants produced leather, cut soles, rubber heels and soles, cotton textiles and many other articles in the large quantities shown on the production summary on page 9, for use by us in the manufacture of shoes. The value of leather and other materials we produced in 1952 was considerably less than the value of these items in 1951, due to lower prices of leather and to the reduction of inventories of these items during 1952.

Our production in pairs of shoes increased about 10% for the year despite a decrease of almost 75% in the production of military boots and shoes. Our production of civilian shoes showed an increase of 17%.

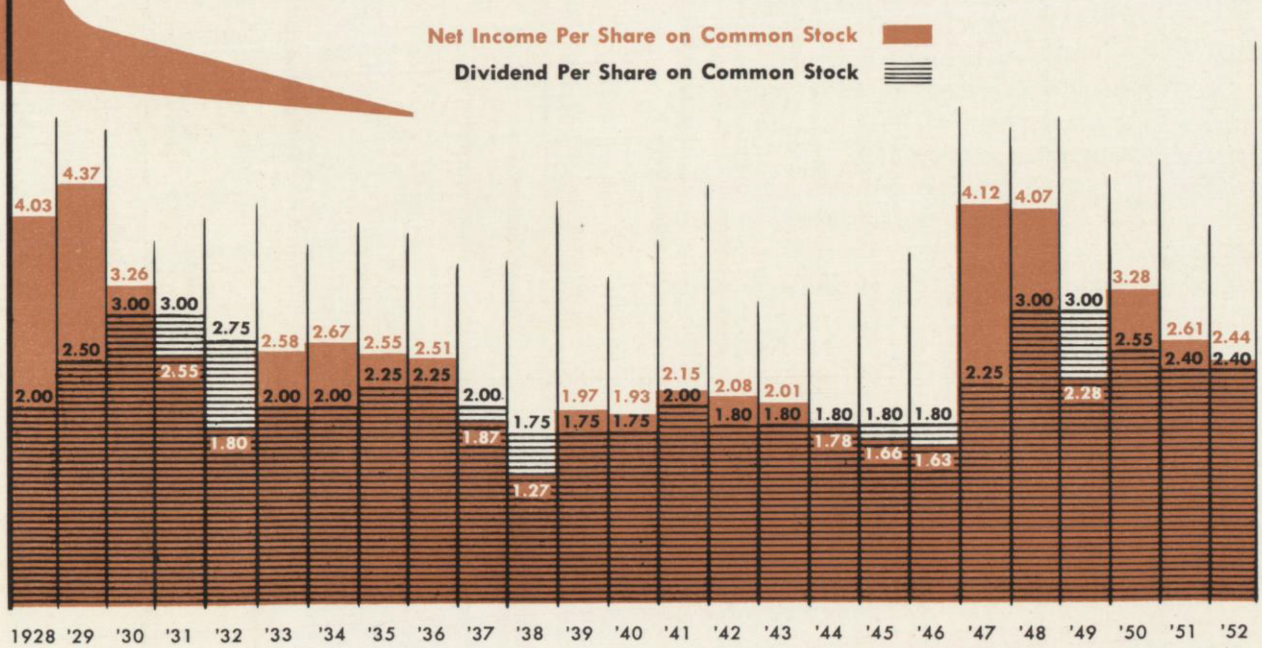
The shoe industry enjoyed a year of good volume. Complete information has not yet been published by the Bureau of Census. Indications are that the industry in our fiscal 1952 produced close to 500 million pairs of shoes, an increase of about 8% over 1951. On civilian shoes alone, the industry will probably show an increase of about 11%.

COSTS AND PRICES

Shoes shipped in our Company's 1952 fiscal year were affected by three price reductions. The first was made in October, 1951, at the time of pricing the spring 1952 lines. The second was made at the time of the commencement of shipment of these lines on December 3, 1951. These two reductions affected all shoes shipped in 1952 because orders taken in October and November, 1951, carrying the first prices were shipped at the December 3 prices. The third price reduction was effective on April 14, 1952, when the sale of the fall 1952 lines began. These three price reductions brought the average price of identical shoes

DIVIDENDS AND EARNINGS

COMPANY PAYS ITS 167th DIVIDEND



PRODUCTION SUMMARY

Our Company's principal production is shoes; and shoes are the only thing we produce for sale to others. During 1952, we produced:

SHOES

For Men and Boys	Pairs	17,342,408	*Of this type of production our Company sold* $217,041,923
For Women and Girls	Pairs	16,348,168	
For Children	Pairs	18,700,953	
House Slippers	Pairs	949,703	
	Total	53,341,232	

However, our Company carries on a vast amount of other production of things used in the manufacture of shoes. During 1952 we produced:

MATERIALS FOR SHOE UPPERS

Leather for Uppers (including Linings) from Cattle Hides and Lambskins (Calfskins and Goatskins tanned under contract not included)	Feet	72,285,889	*This type of production had an aggregate value of* $ 23,020,063
Cloth for Linings from Cotton	Yards	4,187,170	

MATERIALS FOR SHOE BOTTOMS

Soles, of Leather (some shoes take several soles)	Pairs	45,496,608	*This type of production had an aggregate value of* $ 30,269,451
Soles, of Rubber	Pairs	14,915,724	
Counters, of Leather	Pairs	17,549,088	
Heels, of Leather (some shoes take both leather and rubber heels)	Pairs	7,709,786	
Heels, of Rubber	Pairs	24,739,755	
Leather, for soles from Cattle Hides	Pounds	12,967,238	
	Feet	10,415,722	
Welting, Leather	Yards	17,467,573	

OTHER MATERIALS AND SUPPLIES USED IN SHOES AND FOR FASTENING, MAKING AND PACKAGING SHOES

Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns, and others	Not Itemized	*This type of production had an aggregate value of* $ 9,671,872

Total Value of Production—Shoes and Materials and Supplies	$280,003,309

down more than 10% below the prices in effect during fall 1951.

Over the past few months hide and leather prices have been firm to slightly higher.

Our wage and salary rates were increased 4% near the close of our 1952 fiscal year.

Despite these increases, no change was made in shoe prices placed on our Company's spring 1953 lines when they were taken out by our salesmen in October. After our salesmen had covered their territories and booked very large quantities for spring at the old prices, an increase of about 3% was put in effect on orders taken on and after December 1. Rising costs of distribution, as well as the increase in wage and salary rates made this increase unavoidable. The orders taken at the old prices were so great in quantity that they will approximate all of the shoes we expect to ship in the entire first quarter of our new fiscal year.

Your management believes the situation in the industry indicates a relatively level trend in prices. We judge it to be a time for unusual effort toward greater efficiency and lower costs. A program of intensified effort along these lines has been set up for our Company going into 1953.

Retail customers, at shoe clinics, express their views on new styles.

WORKING CAPITAL

	November 30, 1952	November 30, 1951
CURRENT ASSETS		
Cash and Government Securities	$23,168,828	$ 6,148,349
Accounts Receivable	34,471,764	26,210,939
Inventories	59,050,797	58,673,856
Prepaid Expenses	975,717	842,262
Total	117,667,106	91,875,406
CURRENT LIABILITIES		
Accounts and Notes Payable	15,333,938	9,447,708
Employees' Balances	310,298	252,394
Federal Income Tax	9,030,159	13,508,261
Tax Withheld	900,282	606,339
Total	25,574,677	23,814,702
NET WORKING CAPITAL	92,092,429	68,060,704
Ratio	4.6	3.9

The long-term loan of $30,000,000 discussed elsewhere in this report placed our Company in a very liquid condition at November 30, 1952, which is a low point in the seasonal swings in our cash requirements. This low point comes at November 30 and again at May 31. High points come at March 31 and September 30. In recent years short-term borrowing has gone as high as $31,000,000.

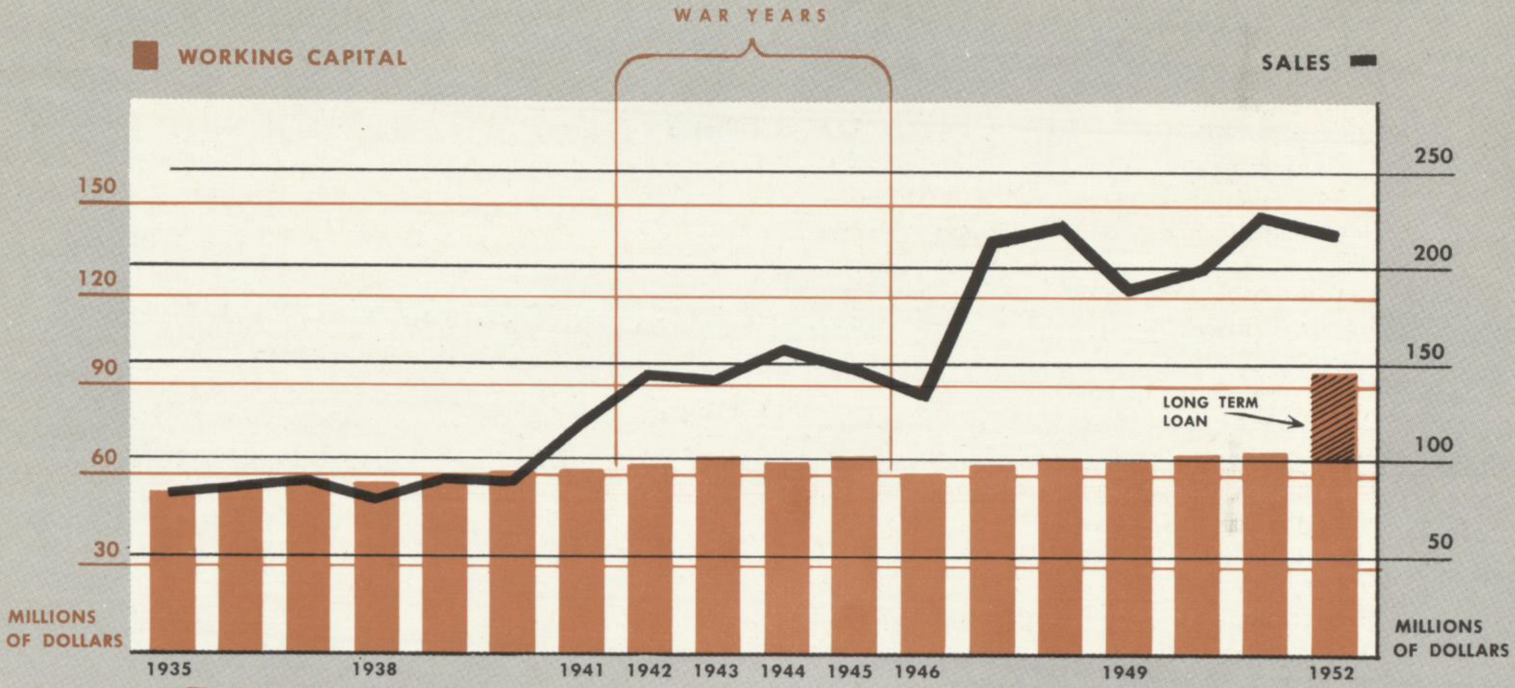
The increase in accounts receivable reflects the increase in the amount of civilian business.

Decrease in federal income taxes is due largely to the fact that under government regulations the fourth quarterly payment in 1951 was made in December after the close of the Company's fiscal year—the corresponding fourth quarterly payment in 1952 was made in November.

As explained elsewhere, the long-term borrowing was only partly for the purpose of improving the Company's working capital. It is expected that a large part of this money will move into fixed investments connected with the Company's expansion program.

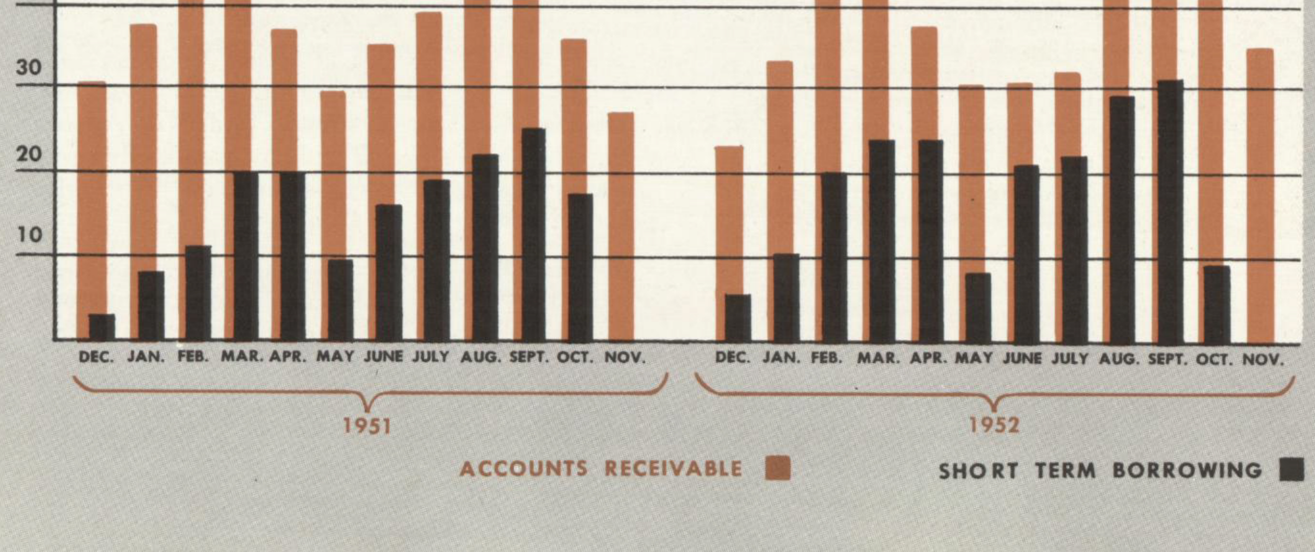
LOAN

On October 9, 1952, our Company completed arrangements to receive a private place-



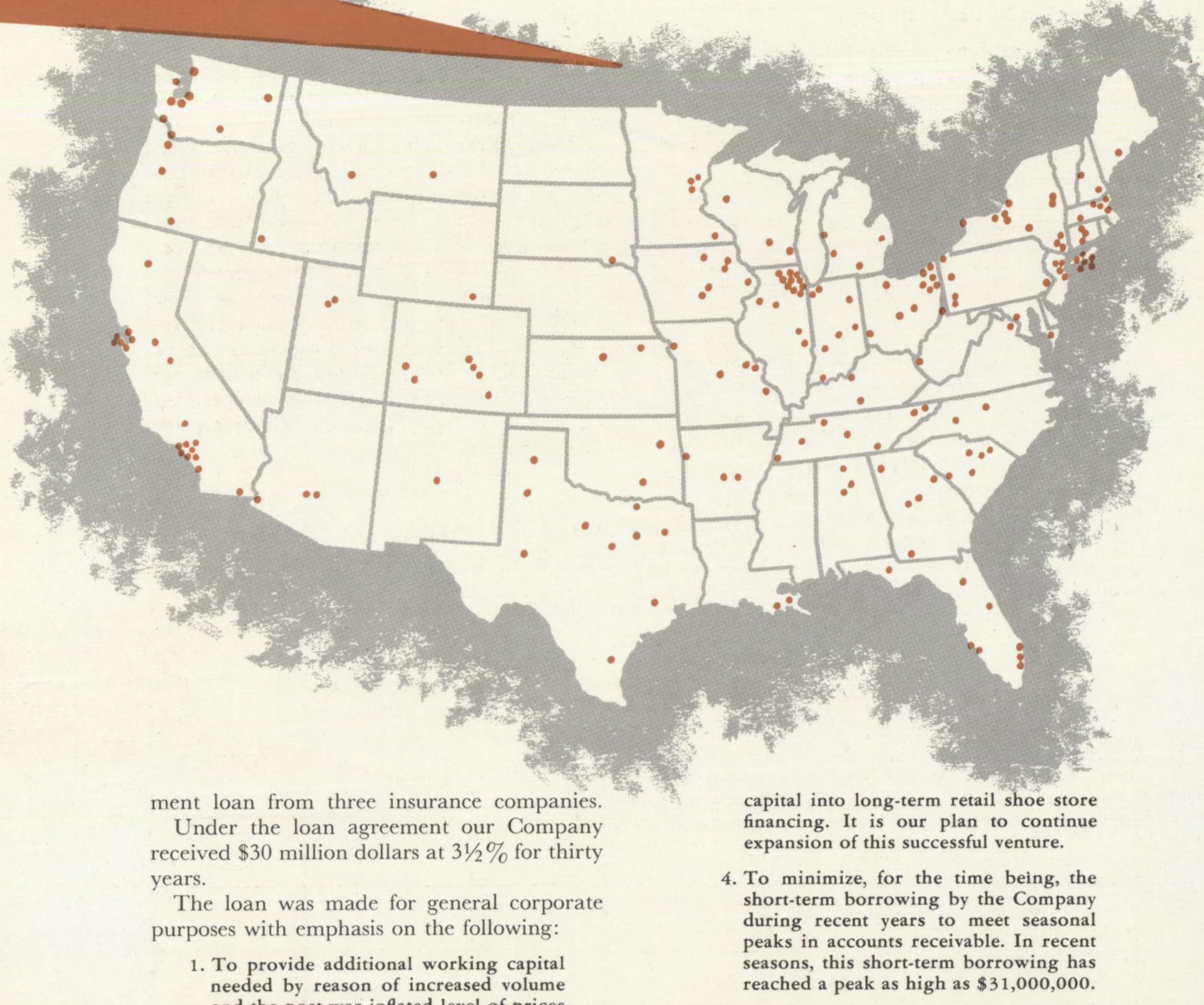
NET WORKING CAPITAL COMPARED WITH SALES

SHORT TERM BORROWING AND ACCOUNTS RECEIVABLE



SHOENTERPRISE CORPORATION

LOCATION OF STORES



ment loan from three insurance companies.

Under the loan agreement our Company received $30 million dollars at 3½% for thirty years.

The loan was made for general corporate purposes with emphasis on the following:

1. To provide additional working capital needed by reason of increased volume and the post-war inflated level of prices which appears to have been established as more or less permanent.
2. To provide for investment in plant expansion, particularly in production of rubber and other synthetic materials.
3. To provide for further development of our subsidiary, Shoenterprise Corporation, which during the past two years has diverted a portion of our working capital into long-term retail shoe store financing. It is our plan to continue expansion of this successful venture.
4. To minimize, for the time being, the short-term borrowing by the Company during recent years to meet seasonal peaks in accounts receivable. In recent seasons, this short-term borrowing has reached a peak as high as $31,000,000.

Certain of the provisions of the loan agreement are shown in detail under notes to financial statements. The following briefly describes and comments on some of the principal features of the loan.

Dividend Provisions. Essentially the loan provides that the Company can pay out in dividends all of its net income earned after

December 1, 1951, plus the sum of $12,250,000. This provision permits a more liberal dividend-paying policy than prudent management would be likely to adopt.

Prepayment Privileges. The Company has the privilege of prepaying up to $15,750,000 of the principal amount of the loan without the payment of a prepayment charge, with certain time limitations and other conditions set out in the loan agreement.

Redemption Privileges. The Company can at its election redeem the entire amount of the loan upon the payment of specified small prepayment charges set out in the loan.

* * *

As pointed out in the Annual Report for 1951, interest paid on borrowed money is deductible for income tax purposes which means that at a tax rate of 50% the cost of this capital nets out at 1¾% which compares with the approximately 6% rate our dividend has borne to the market price of our stock. This loan was made because of the conviction of your management that it could be put to profitable use and that it will inure to the benefit of our stockholders.

SHOENTERPRISE CORPORATION

Over two hundred retail stores and outlets for the distribution of our Company's shoes were in operation at the close of our Company's fiscal year, as the result of Shoenterprise operations.

Approximately $6½ million dollars have been placed in this development. The Shoenterprise plan of setting up independently owned and operated retail outlets has been most effective in establishing desirable retail distribution for our shoes in locations where our distribution previously was nil or wholly inadequate.

The stores emphasize pleasant interiors, complete stocks, competent salespeople and careful fitting. They have been well received by the consuming public, as evidenced by the success they have enjoyed.

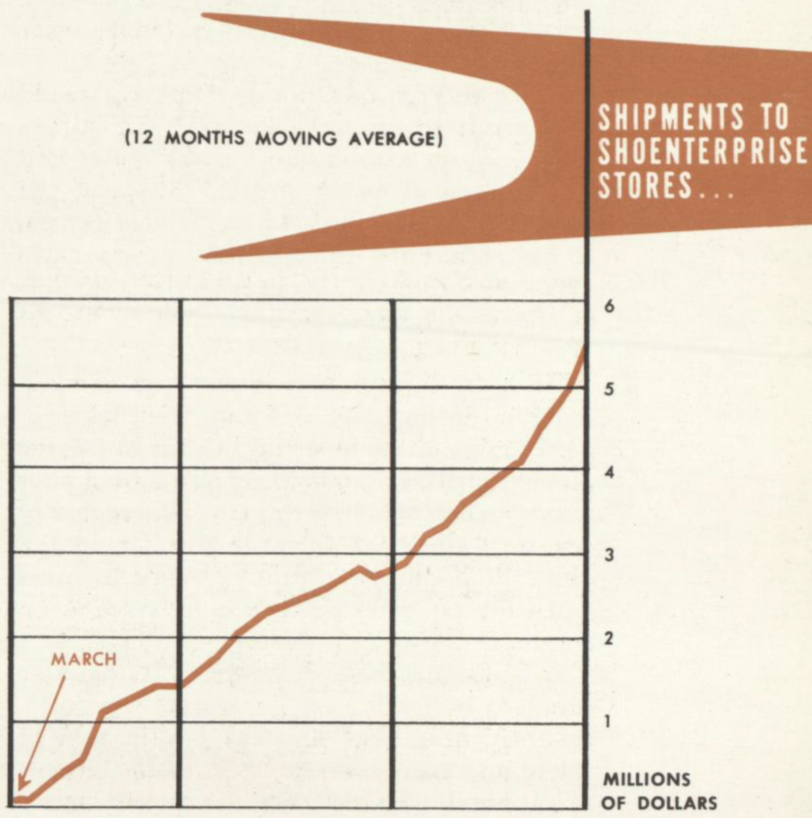
The Shoenterprise plan aids the man with vision, talent and energy and small capital accumulation to get into business for himself. It provides him with the great incentive of owning a fine business in a comparatively few years.

The Shoenterprise development conforms to the Company's long-established policy of distributing the greater part of its product through independent retailers.

This program is beneficial to all of our many thousands of independent retailers because of the more intimate knowledge gained by the Company of the retailer's problems and needs. By gaining thorough knowledge of the consumer's likes, dislikes, fancies, whims or notions —as expressed at the fitting stool in these closely associated retail outlets—our merchandise, our advertising, our promotions can be planned more effectively—to the benefit, we believe, of the many thousands of independent retailers who depend on our Company for these things.

TAXES

The year 1952 felt the full effect of the extremely high tax rates imposed on corpora-



tion income after the Korean outbreak by progressive stages, effective in July 1950, January 1951 and at other dates in 1951. These rates approximate the very peak of the tax rates imposed at the heights reached during World War II, and for some corporate taxpayers, exceed those rates.

Prevailing opinion appears to be that the federal government has probably reached the point of exhaustion in the imposition of income taxes. There is reason to be hopeful that the new administration will realistically face the fact that "Big Government" will have to learn to live within its income, and, perhaps, learn to live on a reduced income.

If that proves to be the case, "the thing can't get worse."

It appears that the so-called "excess profits" tax may be permitted to expire as presently scheduled on July 1, 1953. If not, certainly some modification of the present law is in order. If the law is modified, corporations operating in the highly competitive soft-goods sector of industry might well hope that "excess profits" taxes will be limited to taxes which might be regarded as "excessive" in the sense of being profits almost directly related to war or defense activities.

At the very least, corporate taxpayers should be permitted to pay normal and surtax rates only, on such earnings as do not exceed 100%, instead of the present 83%, of the base years 1946-7-8-9. There is also reason to hope that the normal and surtax rates may be reduced to a level at least as low as the very highest peak reached in World War II which was 40%.

As it is, certain individuals commanding attention in financial and industrial fields regard the payment by a corporation of a large amount of excess profits taxes as a sign of poor management. Whether this view is accepted or not, it certainly points to the peculiar state of affairs that can come into existence in times when the tax rates reach a point of 82% on corporate income.

It is obvious that wholesome incentives for profit, to be made from the use of ingenuity, inventiveness, and unusual application of talent and energy, do not exist at the present rates. Those who recognize the importance of maintaining such incentives see clearly the need for drastic changes in the present tax rates so stifling to enterprise in production and distribution.

GOVERNMENT CONTROLS

In recognition of more than adequate supplies of shoe and leather products, the Government suspended all production and price controls relating to our industry during 1952.

These steps were taken:

1. Cattle hides, kips and calfskins were removed from allocation on February 29, 1952.
2. Price ceilings for these same commodities were suspended on April 28, 1952.
3. Price ceilings were suspended from imported and domestic leather on June 23, 1952.
4. Price ceilings on shoes at all levels were suspended on September 23, 1952.

EXPLANATION OF "CONSOLIDATED" FINANCIAL STATEMENTS

All of the figures in this annual report are on a consolidated basis. For those readers who are not familiar with the term "consolidated," this means that the statements of Financial Position, Income and Stockholders' Equity, shown on pages 16 and 17 disclose the position of the International Shoe Company consolidated with all of its subsidiaries, as well as subsidiaries of subsidiaries, just as if they were but one company—as nearly as this can be done. The subsidiaries of our Company are not now large enough to make it imperative that they be consolidated in order to disclose properly the position of the Company. However, they are growing in size and extent, and our management deemed it advisable at this time to report on a consolidated basis so that there could be no question about complete disclosure of the Company's position. The figures covering 1951 and other prior years, where shown, are also on a consolidated basis and, of course, will differ to that extent from figures previously reported.

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS, INTERNATIONAL SHOE COMPANY

We have examined the statement of consolidated financial position of International Shoe Company and subsidiaries as of November 30, 1952 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statements of consolidated income and retained earnings present fairly the consolidated financial position of the International Shoe Company and subsidiaries at November 30, 1952 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri,
January 7, 1953

CONSOLIDATED FINANCIAL POSITION

November 30,	1952	1951
CURRENT ASSETS:		
Cash	$ 22,999,376	$ 5,991,683
United States Government securities, at cost and accrued interest	169,452	156,666
Receivables—trade and sundry, less allowance for cash discounts and doubtful receivables	34,471,764	26,210,939
Inventories (Note 2)	59,050,797	58,673,856
Prepaid expenses, insurance premiums, taxes, and sundry	975,717	842,262
Total Current Assets	117,667,106	91,875,406
LESS—CURRENT LIABILITIES:		
Mortgage notes payable to banks, current maturities (Note 4)	2,491,666	100,000
Accounts payable and accrued expenses	12,842,272	9,347,708
Employees' income tax withheld from payroll	900,282	606,339
Employees' balances	310,298	252,394
Federal taxes on income, estimated	9,030,159	13,508,261
Total Current Liabilities	25,574,677	23,814,702
Net Working Capital	92,092,429	68,060,704
OTHER ASSETS:		
Federal income taxes recoverable under Section 22 (d) (6) I. R. C.	676,077	676,077
Employees' notes receivable for stock, secured by 103,036 shares and 68,699 shares, respectively, of parent company's common stock	3,170,196	2,025,138
Customers' secured loans receivable, deferred maturities	3,537,073	1,948,247
Investment in stocks of other companies, etc. (less reserve)	684,503	847,820
Parent company's own common stock, 7,247 shares and 8,900 shares at cost	281,607	349,894
Deferred charges	76,900	—
	8,426,356	5,847,176
PHYSICAL PROPERTIES—based on appraisal April 30, 1925, plus subsequent additions at cost (Note 3)	23,009,747	22,241,847
Excess of investment over equity in subsidiaries	198,805	4,634
	123,727,337	96,154,361
DEDUCT:		
Long-term debt (Note 4)		
3½% promissory notes payable in installments due October 1, 1962 to 1982	30,000,000	—
Mortgage notes payable to banks maturing $8,333 monthly to October 1, 1953 and balance due November 1, 1953, less current maturities included in current liabilities	—	2,591,666
Minority interests in subsidiaries	214,369	212,923
	30,214,369	2,804,589
Stockholders' Equity	$ 93,512,968	$ 93,349,772
REPRESENTED BY:		
Common stock without nominal or par value. Authorized 4,000,000 shares; issued 3,400,000 shares	51,000,000	51,000,000
Capital in excess of stated amount	1,323,015	1,354,289
Capital surplus arising from excess of equity over investment in subsidiaries	278,311	274,763
Retained earnings (Note 5)	40,911,642	40,720,720
	$ 93,512,968	$ 93,349,772

See accompanying notes to financial statements.

CONSOLIDATED INCOME

Years Ended November 30,	1952	1951
Sales and Other Income:		
Net Sales	$217,041,923	$225,070,342
Income from rentals and services	321,175	372,471
Interest and other income	281,079	234,656
	217,644,177	225,677,469
Deductions:		
Cost of sales, selling, general and administrative expenses (Note 7)	199,758,538	205,040,397
Interest and amortization of expense on long-term debt	231,242	82,375
Other interest and sundry charges	538,022	384,371
	200,527,802	205,507,143
Income before Federal taxes on income	17,116,375	20,170,326
Federal taxes on income, estimated (excess profits tax, 1952, ($175,000) and 1951, $1,000,000)	8,859,003	11,459,352
	8,257,372	8,710,974
Proportion of net loss of subsidiaries applicable to minority interests	29,520	126,362
NET INCOME FOR YEAR APPLICABLE TO CAPITAL STOCK OF COMPANY	$ 8,286,892	$ 8,837,336

CONSOLIDATED RETAINED EARNINGS

Years Ended November 30,	1952	1951
Balance at beginning of year	$ 40,720,720	$ 40,041,464
Net income for year applicable to capital stock of company	8,286,892	8,837,336
	49,007,612	48,878,800
Dividends on common stock—$2.40 per share each year	8,095,970	8,158,080
Balance at end of year	$ 40,911,642	$ 40,720,720

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements incorporate the accounts of the Company and its several subsidiaries (all domestic). The Company has adopted the policy of including in consolidation all subsidiary companies in which the percentage of ownership is 51% or more. The operating results from date of acquisition of subsidiaries acquired during the year are included in statement of consolidated income.

In so far as practicable, all inter-company accounts, transactions, and unrealized profit in inventories have been eliminated in consolidation.

(2) INVENTORIES:

The inventories at November 30, 1952 are compared with those of November 30, 1951 in the following summary:

	1952	1951
Finished Shoes	$26,483,391	22,452,625
Shoes in process	4,286,867	2,938,925
Hides and leather	9,310,855	12,280,206
Miscellaneous materials and supplies on hand and in process	18,969,684	21,002,100
	$59,050,797	58,673,856

The inventories at November 30, 1952 are based on physical inventories taken as of that date with the exception of inventories aggregating approximately $3,000,000 at certain retail shoe stores which are stated in accordance with perpetual records adjusted during the year to physical counts. Miscellaneous materials and supplies are priced at the lower of cost (first-in, first-out) or replacement market; the remainder of the inventories is substantially priced at cost on the last-in, first-out method. Inventories of certain subsidiaries included in the latter group are largely determined on the retail inventory method; however, adjustments have been applied to eliminate the approximate amount of inter-company profit therein.

(3) PHYSICAL PROPERTIES:

Physical properties at November 30, 1952 are compared with those at November 30, 1951 in the following summary:

	1952	1951
Land and water rights	$ 2,933,693	2,809,600
Buildings and structures	28,413,999	27,209,337
Machinery and equipment	27,042,089	25,493,442
Lasts, patterns and dies	1	1
	58,389,782	55,512,380
Less depreciation	35,380,035	33,270,533
	$23,009,747	22,241,847

Properties of the Twelfth-Delmar Realty Company with a net balance November 30, 1952 of $3,076,503 are pledged as collateral on mortgage notes payable to banks.

(4) LONG-TERM DEBT:

The 3½% promissory notes are payable in annual installments of $1,125,000 on each October 1 from 1962 to 1981 and the remainder is payable on October 1, 1982. The agreement pertaining to the notes allows certain prepayment privileges.

The mortgage notes payable to banks represent an obligation of Twelfth-Delmar Realty Company dated October 28, 1948 and are payable monthly at the rate of $8,333 to October 1, 1953 with the balance due on November 1, 1953.

(5) RETAINED EARNINGS RESTRICTIONS:

The agreement relating to the 3½% promissory notes provides that cash dividends on or acquisitions of capital stock may be paid only from consolidated net income subsequent to November 30, 1951 plus $12,250,000. Of the retained earnings at November 30, 1952 $28,470,720 are restricted under the foregoing provisions; there is a further restriction of $281,607 as a result of the reacquisition of parent company's own common stock. In addition, the promissory note agreement provides that no payment for such purposes may be made unless consolidated net working capital shall be at least $50,000,000.

(6) RENEGOTIATION:

During the current and preceding year, the parent company made sales to the United States Government which sales are subject to renegotiation. In the opinion of the management refunds, if any, will not be material and no provision has been made therefor in the financial statements.

(7) CERTAIN CHARGES TO OPERATIONS:

Amounts charged to operations for the year 1952 include the following costs and expenses:

Depreciation of physical properties	$1,988,917
Maintenance and repairs	4,229,331
Taxes, other than income and excess profits taxes	3,540,625
Rentals of real property	910,068
Rentals of shoe machinery	3,421,664

(8) COMPARATIVE FIGURES:

The 1951 figures shown in the financial statements are adjusted to the new consolidated basis for comparison.

10-YEAR COMPARISON OF CONSOLIDATED FINANCIAL POSITION

INTERNATIONAL SHOE COMPANY

	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943
CURRENT ASSETS:										
Cash	$22,999,376	$ 5,991,683	$ 4,342,111	$ 5,844,981	$ 4,637,060	$10,498,601	$ 6,901,687	$13,248,377	$13,093,067	$19,268,966
U. S. Government securities	169,452	156,666	151,666	151,666	151,666	2,393,487	6,042,386	19,604,783	20,380,048	22,499,066
Receivables—trade and sundry—net	34,471,764	26,210,939	36,126,748	28,891,357	33,787,010	27,109,511	16,893,662	14,846,250	18,948,743	16,003,106
Inventories	59,050,797	58,673,856	47,763,533	47,040,351	51,689,958	43,415,863	42,122,071	29,932,878	28,429,963	26,282,592
Prepaid expenses	975,717	842,262	741,768	675,217	696,008	525,802	543,159	412,608	375,546	416,825
Refunds of Federal taxes on income from carry back	—	—	—	—	—	—	2,211,001	—	—	—
Total current assets	$117,667,106	$91,875,406	$89,125,826	$82,603,572	$90,961,702	$83,943,264	$74,713,966	$78,044,896	$81,227,367	$84,470,555
LESS—CURRENT LIABILITIES:										
Mortgage notes payable—current maturities	$ 2,491,666	$ 100,000	$ 100,000	$ 100,000	$ 100,000	—	—	—	—	—
Notes payable to banks	—	—	—	3,000,000	5,000,000	—	—	—	—	—
Accounts payable and accrued expenses	12,842,272	9,347,708	12,227,226	8,860,138	10,573,858	$ 9,664,675	$10,690,654	$ 5,581,144	$ 7,111,390	$ 5,554,498
Employees' income tax withheld from payroll	900,282	606,339	585,951	364,355	407,989	744,646	554,479	429,416	403,081	—
Stockholders' and employees' balances	310,298	252,394	471,289	416,275	546,903	396,913	271,193	342,034	454,153	393,948
Federal taxes on income, estimated	9,030,159	13,508,261	8,255,215	4,742,743	8,861,537	8,958,894	1,699,676	6,015,736	8,756,661	13,050,796
Total current liabilities	$25,574,677	$23,814,702	$21,639,681	$17,483,511	$25,490,287	$19,765,128	$13,216,002	$12,368,330	$16,725,285	$18,999,242
Net working capital	$92,092,429	$68,060,704	$67,486,145	$65,120,061	$65,471,415	$64,178,136	$61,497,964	$65,676,566	$64,502,082	$65,471,313
OTHER ASSETS:										
Federal income taxes recoverable under section 22 (d) (6) I. R. C.	$ 676,077	$ 676,077	$ 676,077	$ 676,077	$ 3,088,123	$ 2,674,617	$ 2,468,200	$ 1,145,457	$ 601,780	—
Employees' notes receivable for stock, secured	3,170,196	2,025,138	2,361,947	2,295,450	2,400,501	2,482,764	—	—	—	$ 32,778
Customers' secured loans receivable, deferred maturities	3,537,073	1,948,247	1,099,820	—	—	—	—	—	—	—
Investments in stocks of other companies, etc. (less reserve)	684,503	847,820	840,513	895,877	826,590	725,405	548,074	364,313	518,745	608,134
Company's own common stock	281,607	349,894	30,039	—	—	—	243,134	243,134	243,134	243,134
Estimated post-war tax refund	—	—	—	—	—	—	—	—	1,645,000	1,040,000
Deferred charges	76,900	—	—	—	—	—	—	—	—	—
	$ 8,426,356	$ 5,847,176	$ 5,008,396	$ 3,867,404	$ 6,315,214	$ 5,882,786	$ 3,259,408	$ 1,752,904	$ 3,008,659	$ 1,924,046
PHYSICAL PROPERTIES:										
Land and water rights	$ 2,933,693	$ 2,809,600	$ 2,814,968	$ 2,857,747	$ 2,860,405	$ 1,874,317	$ 1,898,353	$ 2,010,802	$ 2,032,265	$ 2,032,651
Buildings and structures	28,413,999	26,978,208	27,075,648	27,953,286	27,461,470	24,005,375	22,393,483	21,720,657	21,645,056	21,826,570
Machinery and equipment	27,042,089	25,724,571	24,721,002	24,942,467	23,889,984	22,754,390	20,994,245	19,935,998	19,505,854	18,845,394
Lasts, patterns, and dies	1	1	1	1	1	1	1	1	1	1
	$58,389,782	$55,512,380	$54,611,619	$55,753,501	$54,211,860	$48,634,083	$45,286,082	$43,667,458	$43,183,176	$42,704,616
Less depreciation	35,380,035	33,270,533	32,019,045	31,922,539	30,434,840	29,684,558	29,365,305	28,667,051	27,762,979	27,135,830
	$23,009,747	$22,241,847	$22,592,574	$23,830,962	$23,777,020	$18,949,525	$15,920,777	$15,000,407	$15,420,197	$15,568,786
Excess of investment over equity in subsidiaries	198,805	4,634	—	—	—	—	—	—	—	—
Total assets less current liabilities	$123,727,337	$96,154,361	$95,087,115	$92,818,427	$95,563,649	$89,010,447	$80,678,149	$82,429,877	$82,930,938	$82,964,145
DEDUCT:										
Long-term debt	$30,000,000	—	—	—	—	—	—	—	—	—
Mortgage notes payable, less current maturities	—	$ 2,591,666	$ 2,691,667	$ 2,891,667	$ 2,991,667	—	—	—	—	—
Minority interests in subsidiary companies	214,369	212,923	—	—	—	—	—	—	—	—
Reserves:										
For excess cost of replacing lifo inventories	—	—	—	—	65,000	$ 150,000	$ 210,000	$ 310,000	$ 370,000	$ 370,000
For insurance	—	—	—	—	608,669	608,669	713,789	806,984	806,622	806,246
For contingencies	—	—	—	—	—	—	—	1,000,000	1,000,000	1,000,000
	$30,214,369	$ 2,804,589	$ 2,691,667	$ 2,891,667	$ 3,665,336	$ 758,669	$ 923,789	$ 2,116,984	$ 2,176,622	$ 2,176,246
Stockholders' equity	$93,512,968	$93,349,772	$92,395,448	$89,926,760	$91,898,313	$88,251,778	$79,754,360	$80,312,893	$80,754,316	$80,787,899
REPRESENTED BY:										
Common stock	$51,000,000	$51,000,000	$51,000,000	$51,000,000	$51,000,000	$51,000,000	$50,250,000	$50,250,000	$50,250,000	$50,250,000
Capital in excess of stated amount	1,323,015	1,354,289	1,354,289	1,354,289	1,354,289	1,354,289	—	—	—	—
Capital surplus arising from excess of equity over investment in subsidiaries	278,311	274,763	—	—	—	—	—	—	—	—
Retained earnings	40,911,642	40,720,720	40,041,159	37,572,471	39,544,024	35,897,489	29,504,360	30,062,893	30,504,316	30,537,899
	$93,512,968	$93,349,772	$92,395,448	$89,926,760	$91,898,313	$88,251,778	$79,754,360	$80,312,893	$80,754,316	$80,787,899

INTERNATIONAL SHOE COMPANY

41-YEAR REVIEW OF CONSOLIDATED INCOME, FEDERAL TAXES ON INCOME AND DIVIDENDS

Fiscal Year	Net Sales	Net Income before Federal Taxes	Federal Taxes on Income (a)	Net Income	Dividends Declared on Preferred Stock	Net Income Available for Common Stock	Net Income per Share on Common Stock (b)	Dividend Rate per Share on Common Stock	Shares of Outstanding Preferred Stock (c)	Shares of Outstanding Common Stock (c)
1912	$ 20,990,643	$ 1,955,130	$ 19,308	$ 1,935,822	$ 577,500	$ 1,358,322	$10.65		82,500	127,500(j)
1913	26,005,299	1,834,468	18,762	1,815,706	653,875	1,161,831	9.11	7.00	94,250	127,500
1914	24,114,860	1,523,619	14,721	1,508,898	659,750	849,148	6.66	7.00	94,250	127,500
1915	24,439,107	1,822,938	18,049	1,804,889	659,750	1,145,139	8.98	6.00	94,250	127,500
1916	33,574,914	4,189,409(d)	79,152	4,110,257(d)	659,750	3,450,507	27.06	7.00	94,250	127,500
1917	45,037,293	5,353,980	1,270,000	4,083,980	697,125	3,386,855	26.56	7.00	100,000	127,500
1918	50,810,947	4,397,880	1,585,000	2,812,880	700,000	2,112,880	16.57	8.00	100,000	127,500
1919	61,247,782	6,917,224	2,250,000	4,667,224	700,000	3,967,224	31.11	7.00	100,000	127,500
1920	75,617,895	8,914,491	2,644,257	6,270,234	846,250	5,423,984	42.54	8.00	122,500	127,500
1921	73,839,153	5,025,441	859,247	4,166,194	1,128,190	3,038,004	3.33	1.68	177,643	911,279(k)
1922	97,366,403	11,739,821	1,502,864	10,236,956	1,414,945	8,822,011	9.60	2.00	179,142	918,006
1923	109,922,738	11,703,988	1,405,347	10,298,641	1,421,753	8,876,888	9.64	2.75	178,000	920,000
1924	110,240,651	15,123,263	2,062,468	13,060,795	1,424,000	11,636,795	12.64	4.00	178,000	920,000
1925	114,265,987	14,594,410	1,872,965	12,721,444	1,424,000	11,297,444	12.27	5.00	100,000	920,000
1926	116,980,835	15,279,118	2,061,542	13,217,576	600,000	12,617,576	13.71	6.00	100,000	920,000
1927	124,306,333	20,478,632	2,780,174	17,698,457	600,000	17,098,457	4.54	1.75	100,000	3,760,000(l)
1928	122,694,532	17,973,205	2,211,429	15,761,775	600,000	15,161,775	4.03	2.00	100,000	3,760,000
1929	132,110,129	19,207,966	2,176,532	17,031,434	600,000	16,431,434	4.37	2.50	100,000	3,760,000
1930	102,393,618	14,597,599	1,723,495	12,874,104	600,000	12,274,104	3.26	3.00	100,000	3,760,000
1931	86,802,293	11,088,135	1,343,319	9,744,815	600,000	9,144,815	2.55	3.00	100,000	3,510,000
1932	65,488,662	7,729,920	1,082,392	6,647,527	600,000	6,047,527	1.80	2.75	100,000	3,350,000
1933	70,343,128	10,764,075	1,673,508	9,090,566	425,810	8,664,756	2.58	2.00		3,350,000
1934	77,168,682	10,866,266	1,899,241	8,967,024		8,967,024	2.67	2.00		3,350,000
1935	83,073,459	10,031,599	1,489,637	8,541,962		8,541,962	2.55	2.25		3,350,000
1936	84,856,709	9,771,444	1,354,517	8,416,926		8,416,926	2.51	2.25		3,350,000
1937	88,278,810	7,394,495	1,127,503	6,266,992		6,266,992	1.87	2.00		3,350,000
1938	80,828,631	4,890,762	622,475	4,268,286		4,268,286	1.27	1.75		3,350,000
1939	89,325,446	8,061,896(e)	1,473,687	6,588,209(e)		6,588,209	1.97	1.75		3,350,000
1940	89,257,329	8,122,117	1,648,505	6,473,611		6,473,611	1.93	1.75		3,350,000
1941	116,530,243	9,691,079	2,484,042	7,207,037		7,207,037	2.15	2.00		3,350,000
1942	144,256,388	16,634,160(f)	9,639,207	6,994,952(f)		6,994,952	2.08	1.80		3,350,000
1943	143,014,252	18,699,794(g)	11,953,882	6,745,912(g)		6,745,912	2.01	1.80		3,350,000
1944	156,869,226	13,236,780	7,257,281	5,979,499		5,979,499	1.78	1.80		3,350,000
1945	149,088,414	10,749,859	5,178,203	5,571,656		5,571,656	1.66	1.80		3,350,000
1946	135,381,520	3,311,780(h)	2,142,767(i)	5,454,547(h)		5,454,547	1.63	1.80		3,350,000
1947	213,325,147	22,616,876	8,600,476	14,016,400		14,016,400	4.12	2.25		3,400,000
1948	220,145,821	22,045,707	8,199,173	13,846,534		13,846,534	4.07	3.00		3,400,000
1949	190,352,585	12,457,127	4,710,611	7,746,516		7,746,516	2.28	3.00		3,400,000
1950	199,009,491	19,385,773	8,248,225	11,137,548		11,137,548	3.28	2.55		3,400,000
1951	225,070,342	20,170,326	11,459,352	8,837,336(m)		8,837,336	2.61	2.40		3,400,000
1952	217,041,923	17,116,375	8,859,003	8,286,892(m)		8,286,892	2.44	2.40		3,400,000

NOTE:

(a) Federal taxes on income include excess profits taxes in years where applicable. (b) Based on shares of common stock outstanding at close of fiscal year. (c) Number of shares outstanding at close of fiscal year; common stock includes, where applicable, Company's own common stock held for re-sale carried as an asset. (d) Before provision of $1,000,000 for trade conditions affecting raw materials market; reserve transferred to surplus during fiscal year 1921. (e) After providing $550,000 for contingencies. (f) After providing $450,000 for contingencies. (g) After providing $222,447 for contingencies. (Net amount of payment to U. S. Government a/c renegotiation.) (h) After including transfer of $1,000,000 reserved for contingencies previously provided by charges to profit and to loss. (i) Net amount of income tax refundable due to carry back provisions of the Internal Revenue Code. (j) Par value of $100 per share. (k) After giving effect to exchange of each share of $100 par value Common Stock (Mo. Corporation) for 6 shares no par value Common Stock (Del. Corp.). (l) After stock split-up on the basis of 4 shares for one. (m) After adjustment for minority interest.

PLANT FACILITIES

Arrangements have been made for the transfer of the Company's welt manufacturing unit, located at Manchester, New Hampshire, and the welt currying unit in Merrimack, New Hampshire, to the sole cutting plant at Ste. Genevieve, Missouri. This move is designed to locate welt manufacturing activities near the plants using welting. Sole cutting formerly at Ste. Genevieve was consolidated in the other four sole cutting plants.

An extensive program of office change, expansion and general improvement, more beautifully appointed display and sales rooms and greatly increased warehousing and distribution facilities, started in 1951, was recently completed. As part of this program, the second floor of the Delmar Warehouse Building was converted to attractive office space. Offices and sales rooms in the Washington Avenue Building were completely modernized, improving the appearance and operating efficiency.

To provide additional warehousing and shipping facilities for our general line sales branches, space has been made available in our Hannibal, Missouri, 7th Street Factory to accommodate the shoe stocks of our Vitality, Queen Quality and Dorothy Dodd specialty lines. The warehousing operations of Winthrop and Conformal Shoe Companies, and of our Central Stock Department have been transferred to the building in St. Louis formerly used by the Hickory Street sole cutting unit. At West Plains, Missouri, a building was erected for warehousing and distributing the new line of men's dress shoes manufactured by the West Plains plant. Space totaling 140,000 square feet vacated by one of our tenants at the 12th Street warehouse is now being utilized by one of the general line branches.

These moves will add approximately 340,000 square feet to the Company's warehousing and shipping facilities. One of the major advantages of this additonal floor space is the carrying of reserve stocks at the same location with the forward stocks of any particular shoes.

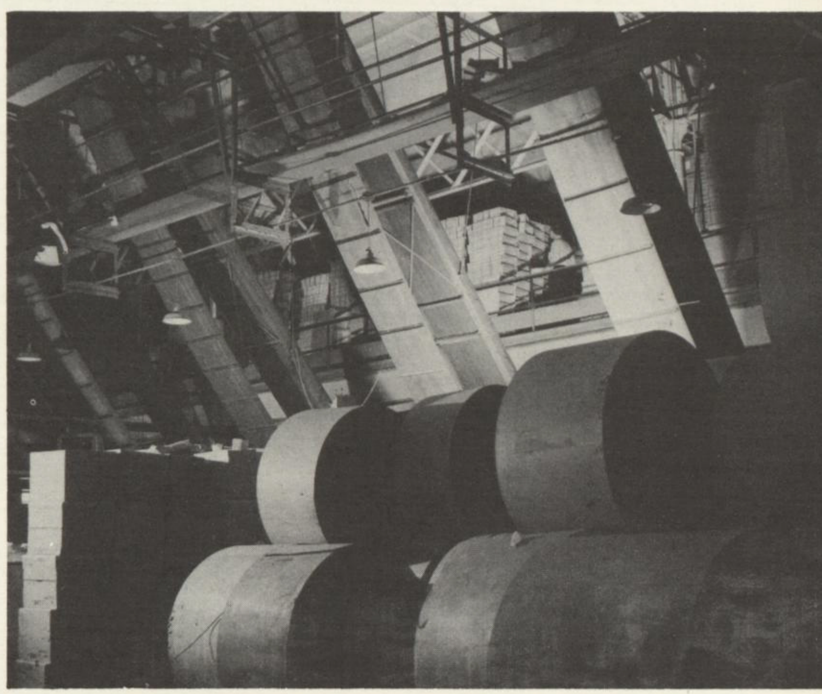
In addition to providing better customer service, these changes will result in substantial savings through improved warehouse layout.

Two shoe factories were opened during the year, bringing the total in operation to 55. These factories occupy buildings formerly used by us for shoe factory purposes at Flora, Illinois, and Jefferson City, Missouri.

RESEARCH

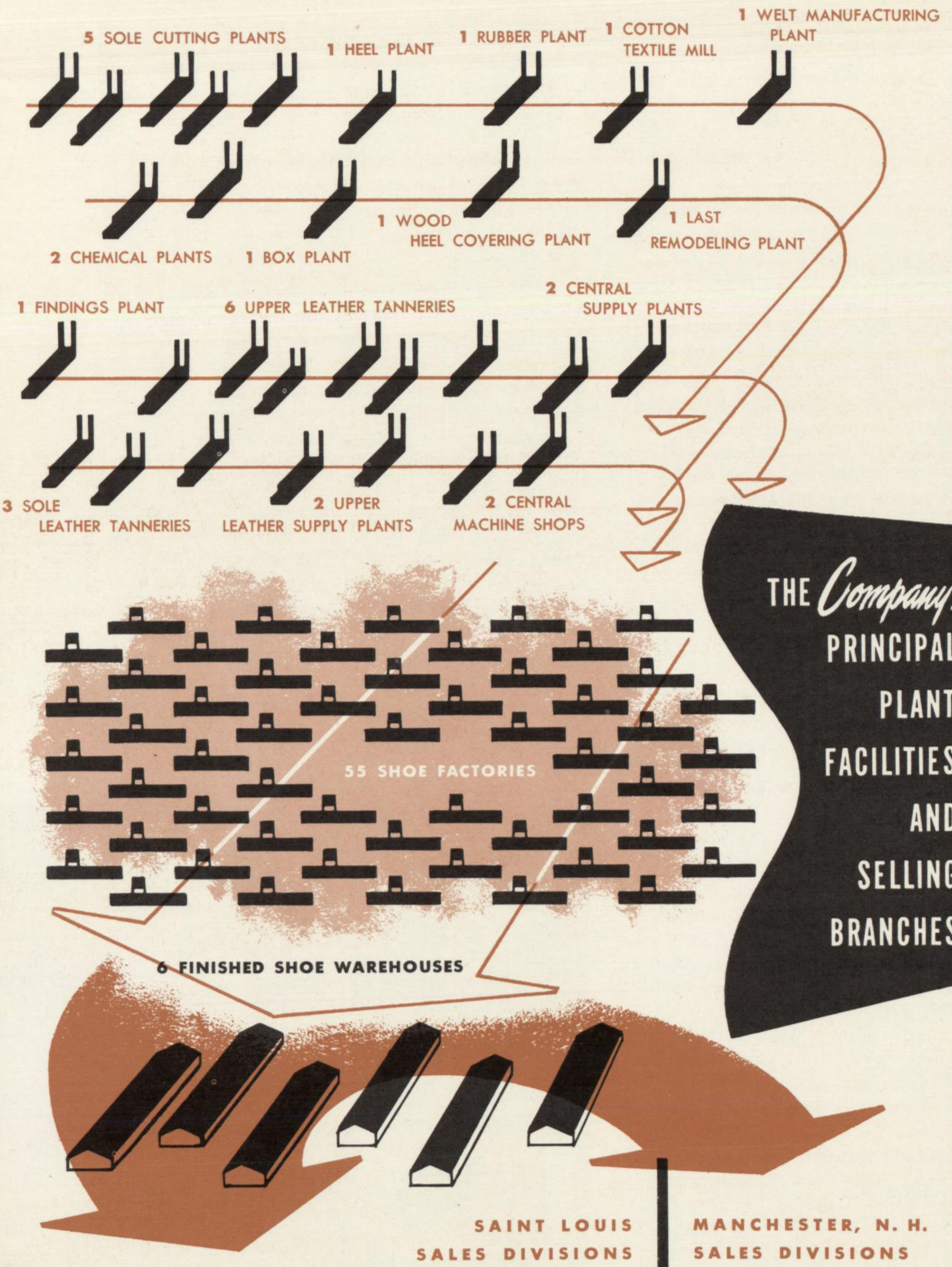
Our Company has always been active in the shoe and leather industry in the development of new lines and products and in the adoption of improved methods and processes. Until this year these activities have been carried on by our various manufacturing and sales divisions, but for the past decade it has become increasingly apparent that it is difficult for our executives in the production and sales fields to devote to research the attention which it deserves. Moreover, present-day research practices and techniques require the employment of men specially trained in scientific analysis and evaluation and the use of machinery and equipment not available in production plants.

In order to assure continued leadership in this complex phase of modern business, we have established:



A scene in our Box Plant located in St. Louis.

THE Company's PRINCIPAL PLANT FACILITIES AND SELLING BRANCHES



SAINT LOUIS SALES DIVISIONS	MANCHESTER, N. H. SALES DIVISIONS
Accent Shoe Co • Conformal Footwear Co. • Continental Shoemakers	Great Northern Shoe Co.
Dorothy Dodd Shoe Co. • Export • Friedman-Shelby • Hy-Test	Hampshire Shoe Co.
Pennant Shoe Co. • Peters • Queen Quality Shoe Co. • Roberts, Johnson & Rand	Sundial Shoe Co.
Sentinel • Vitality Shoe Co. • Winthrop Shoe Co.	

LOCATION OF SHOE FACTORIES AND SUPPLY PLANTS

Missouri

Belle
Bland
Cape Girardeau
De Soto
Dexter
Eldon
El Dorado Springs
Fulton
Hamilton
Hannibal
Hermann
Houston
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
Poplar Bluff
Richland
St. Charles
St. Clair
St. James
Ste. Genevieve
St. Louis
Salem
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington
West Plains
Windsor

Illinois

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

Arkansas

Bald Knob
Batesville
Conway
Malvern
Russellville
Searcy

New Hampshire

Claremont
Manchester
Nashua
Newport

Kentucky

Hopkinsville
Paducah

LOCATION OF TANNERIES

South Wood River, Illinois
St. Louis, Missouri
Manchester, New Hampshire
Merrimack, New Hampshire
Philadelphia, Pennsylvania
Bolivar, Tennessee
Marlinton, West Virginia

1. A new division devoted to product and process development.
2. A modern plastics laboratory and pilot plant.
3. A division of market research.

Product and Process Development Division. The purpose of this division will be to coordinate the efforts of all Company departments in matters involving product and process development through the collection, appraisal and development of new ideas from all possible sources. Testing of new materials offered by suppliers also come under its jurisdiction.

Headquarters of the division will be in St. Louis, but operations will be carried on in the Company plants, including tanneries, rubber plants, chemical plants, and cotton mill, as well as in the shoe factories.

Plastics Laboratory. Plastics are rapidly entering almost every American industry, and the shoe business is no exception. Great strides have been made in the past few years in the improvement of long-wearing plastic sole materials, and in addition many shoes are being produced with plastic linings. Our new plastics laboratory and pilot plant located at Hartford, Illinois, is in charge of a polymer chemist of outstanding reputation.

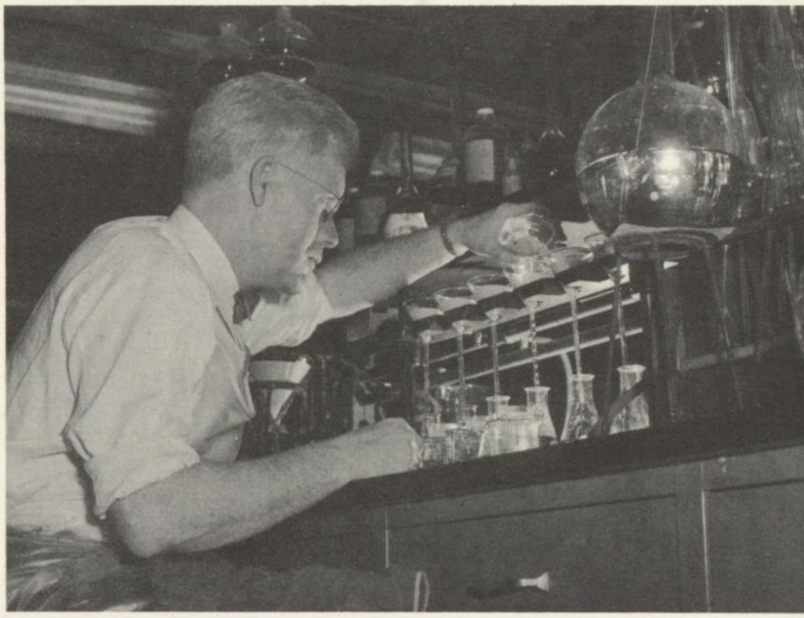
The efforts of the plastics laboratory will be principally devoted to the adaptation of plastic materials to the manufacture of footwear, but their field of research will not be limited to such endeavors. Actually, the plant is divided into three sections. The first part is a scientific research laboratory where new plastics are investigated on a laboratory scale. The second section is a pilot plant for the production of plastics materials; for example, synthetic resins, molding powders, etc. The third section will include all types of equipment for the production of plastics finished products, and will include such things as molding machines, extruders and calendars. All three sections will utilize the most modern equipment available in this field.

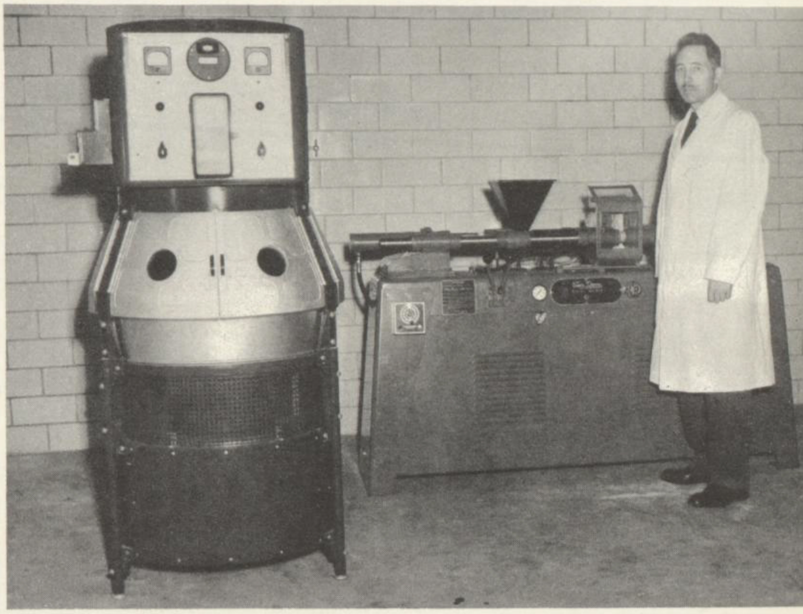
Market Research Division. This division was established in April of this year as part of our General Advertising Department.

It is the purpose of this division to pin-point localities in which lie our greatest opportunities for increase in sales, to develop methods of increasing the effectiveness of our advertising, and to find ways of reducing our marketing costs.

* * *

Specific projects in the three new divisions have not yet reached the stage of public discussion, but preliminary work of all divisions is encouraging.





ISCO MEN AND WOMEN

1952 was a good year for the men and women in our working force. During the year employment averaged 34,000, compared with an average of 33,000 during 1951.

Wage and salary rate increases amounted to approximately three and one-half million dollars, setting the highest wage level in the history of the Company. A full work-week schedule was enjoyed by employees in most plants throughout the year as production was maintained at a generally high level.

Under the Company's established vacation plan, employees with one year of service enjoyed one week of vacation with pay. Those with five years of service, two weeks with pay. In addition to these benefits, the employees received six paid holidays.

Sickness, accident and death benefits sponsored by the Company totaled $847,113 in 1952, with 186 families receiving death benefits totaling $629,400, and those who were forced to be away from their work because of sickness or accident receiving approximately $217,713.

Military leaves were granted to 625 young men who entered the Armed Forces during the year.

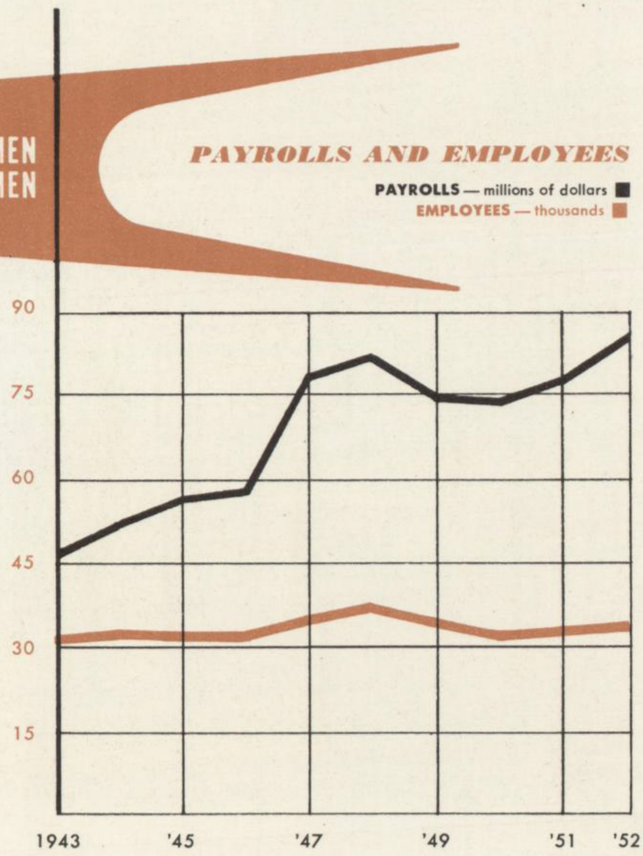
Through the thoughtfulness and cooperation of ISCO employees, the safety record for the year was well above that of the shoe industry as a whole. The Medical Division with a staff of 33 graduate nurses and 30 first-aid girls served the health and needs of our men and women.

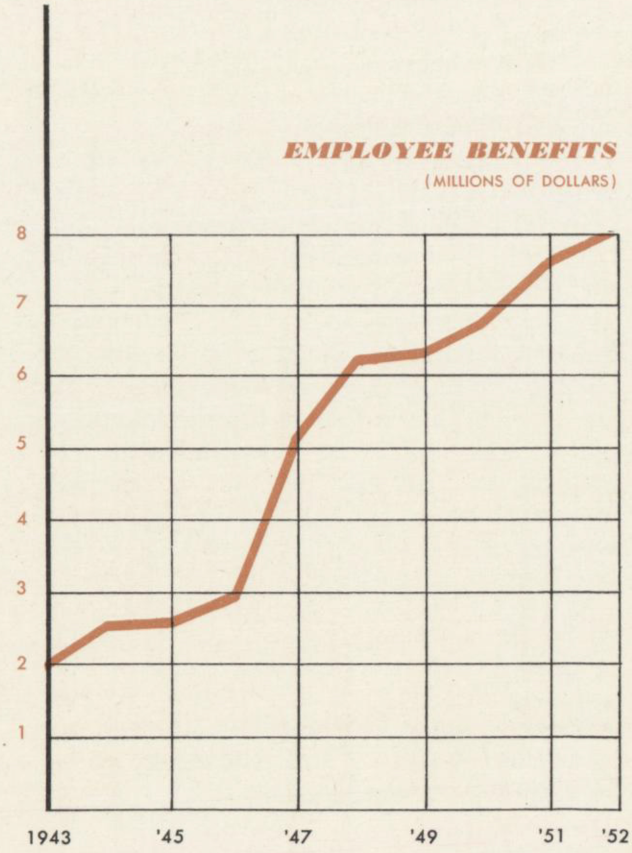
Physically handicapped men and women totaling approximately 500 were employed during the year on jobs for which they were best suited.

Recreational programs, organized and maintained by the employees themselves, have become an important employee activity. Many of our plants now have in operation highly successful recreational programs which provide a variety of entertainment and recreation for the employees and their families.

The Company expanded its executive development and training programs during the

ISCO MEN AND WOMEN





year. At conferences held in St. Louis, and at some of our plants, groups of supervisory sales and administrative employees received training and instruction in Company policy, job-performance, employee relations and community relations.

COMMUNITY RELATIONS

During the year our Company continued to sponsor and participate in various community and group activities—industrial conventions, educational conferences, business-industrial-education day programs, and meetings of numerous business, professional and civic groups.

A celebration and parade were held by the people of Russellville, Arkansas, in September, marking the completion of five years of operation by our Company in their community, in this way demonstrating their appreciation for our Company's steady operation of its plant employing about 500 men and women. Many letters of appreciation were received from the merchants and other citizens. The reaction in Russellville is typical of the pleasant relations which our Company enjoys in the many communities in which it operates.

Company officials appeared as guest speakers before many other community organizations and close contact was maintained with civic leaders. A number of our plants provided exhibits and displays at local fairs and expositions. Open house programs were conducted in some of our plants, providing thousands an opportunity to see them at first-hand.

SALE OF COMPANY STOCK TO EXECUTIVE EMPLOYEES

During the year the Directors authorized the sale to valued executive employees of 38,400 shares of the Company's common stock at $37.50 per share.

This did not require the issuance of any additional shares. The stock was purchased by the Company at an average price close to the price at which it was sold.

This action followed the Company's long-established policy of encouraging and assisting its executive employees in the acquisition of its common stock.

Views of the parade marking the completion of 5 years operation in Russellville, Arkansas.

OUR CUSTOMERS

International shoes are distributed through more than 30,000 independent retail merchants.

Their places of business are found almost any place where people buy shoes—ranging from the large department stores in the great cities to the country stores at the crossroads.

Our customers buy, from the distributing branches of our Company, over 50,000,000 pairs of shoes each year.

For more than three decades our Company's credit losses on some four billion dollars in sales have averaged less than one-fourth of one percent—a record which attests the character and integrity of our customers.

They learn to depend upon our Company and its product.

We, in turn, depend upon such good customers and strive to conduct our business so as to merit their confidence.

Advertising is the Spark Plug of Selling

Here's how International Shoe Company sparks the sale of its shoes to men, women and children everywhere.

Television and Radio

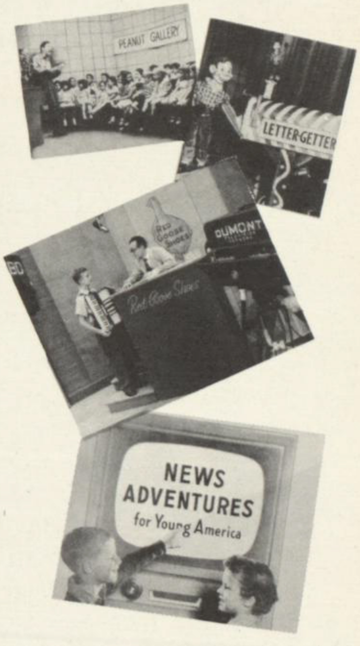
Since 1949, when television was first explored and heartily approved, its power has been used to spark the sale of International Shoes. Here are some typical examples:

HOWDY DOODY . . . for Poll-Parrot Shoes *every other week* over the *NBC-TV* network plus key independent stations . . . plus a new *NBC* radio network covering 129 major markets *every week.*

KIDS & COMPANY . . . popular kid participation TV show saluting a "child of the week". . . . MCed by the friendly and happy Johnny Olson features Red Goose and Grace Walker Shoes.

MOVIETONE CHILDREN'S NEWSREEL . . . up-to-the-minute film news especially produced for children, with commentary by famous Frank Luther, selling Weather Bird Shoes.

SUNDIAL RADIO SPOTS . . . over 10,000 radio spot announcements help sell Sundial Shoes throughout the East.



National Magazines

The most powerful and best read national magazines carry advertising for International's men's, women's and children's shoes . . . spark their sale to every home in the country. Here are only a few of them.

Newspapers and Comic Pages

Some divisions of International spark their sales stories to children and parents through the thoroughly read comic pages of newspapers . . . as well as through regular black-and-white newspaper advertising. And under International's cooperative advertising plan, dealers run countless more lines of newspaper advertising, thousands of minutes of local radio and TV.

During the year some 400 new owners of ISCO stock were added to the growing list of stockholders. On October 1st dividend checks were mailed to 12,751 owners of the 3,400,000 shares of the Company's common stock.

These stockholders live in every state in the Union, in addition to eleven United States possessions and foreign countries.

The state having the smallest number of stockholders is North Dakota, with seven, while Missouri has the largest number—5,567. 35 people living outside the United States have invested their money in our Company.

Shown below is an analysis of our stockholders on record as of October 1st, 1952.

TEN YEAR GROWTH IN NUMBER OF STOCKHOLDERS

STOCKHOLDERS

	Holders	%	Shares	%
Women	4,983	39.1	1,274,994	37.5
Men	4,251	33.3	1,114,821	32.8
Joint Accounts	2,255	17.7	155,989	4.6
Fiduciaries	842	6.6	515,370	15.2
Investment Trusts	28	0.2	89,394	2.6
Companies	52	0.4	13,766	0.4
Insurance Companies	9	0.1	19,155	0.6
Churches—Hospitals—Universities—Charities	120	0.9	65,830	1.9
Brokers	211	1.7	150,681	4.4
Total	12,751		3,400,000	

Shares	1—25	26—50	51—100	101—200	Over 200
Holders	5,031	2,748	2,567	972	1,433
	39.5%	21.6%	20.1%	7.6%	11.2%

Shown here are views of two of our beautifully appointed sample and display rooms which are part of our recently completed headquarters modernization program.

WORLD'S LARGEST
MANUFACTURER OF MEN'S
WOMEN'S AND CHILDREN'S
SHOES

ISCO

1952 COVER

The Annual Report cover shows a display of men's, women's and children's shoes at the entrance to one of our 31 newly modernized sample and display rooms.

Displayed in the sample rooms are some 1,500 different styles of shoes, representing a total of 5,000 individual stock numbers.